

INDUSTRY UPDATE

Biweekly Period Ending July 13, 2002

Phoenix Metro Area

Manufacturing

The need to combat growing environmental hazards is driving the expansion of business for one Scottsdale company. **AbTech Industries Inc.**, which **makes products** that **clean waterways** of various pollutants, recently **moved its laboratory and production operations** from Tucson **to larger facilities in Scottsdale**. There, AbTech makes a doughnut-shaped product called the **Smart Sponge** that soaks up all kinds of nasty germs (and even oil) that make their way into public waterways. A mandate by the federal Environmental Protection Agency that cities have plans to keep storm water from polluting natural waterways is contributing to the growth of AbTech, which is **hiring 15 new workers** in an industry that is expected to grow to \$1 billion by 2010.

Construction

In an effort to **create long-term jobs**, the **city of Mesa** is proposing **limiting home building** on 40 square miles of land on its **east side** that will become vacant when the General Motors Proving Ground moves to Mexico in 2005. The proposal, which will go before voters this fall, seeks to **create a stronger economic base** for the now primarily suburban city by zoning vast sections of empty land — between Ellsworth, Elliot, Pecos and Mountain roads — for commercial and industrial development. If approved, the plan would limit home development to 50 percent of the land, with industrial and commercial zoning applying to 33 percent of the property. As current zoning stands, more than 60 percent of the land could be used for home development. Mesa is concerned about

its economic future because its **ratio of jobs-to-residents is 34-to-100**, compared to neighboring Phoenix (58-to-100), Scottsdale (70-to-100), and Tempe (91-to-100).

Transportation, Communications, and Public Utilities

Unlike AbTech (see above), the federal government's move to get rid of "parasites" of another kind caused the **loss of several hundred jobs** at a Phoenix-area **telemarketing company**. In early July, the **Federal Trade Commission shut down** four Valley locations of **Corporate Marketing Solutions**, which issued credit cards for a \$249 processing fee. The FTC accused the company of "deceptive marketing practices."

Another company with a much larger Valley presence — which also is feeling the heat of the Feds — gave details in early July about previously announced layoffs. Denver-based **Qwest Communications**, which has about 7,300 Arizona employees, said that **120 Phoenix-area office and network technicians** will **lose their jobs** by fall. Qwest, which is under investigation by the U.S. Justice Department, had said in April it would lay off 2,000 workers.

Services

While one Tennessee-owned hospital in Phoenix is gearing down its operations, a Volunteer State health-care company is expanding its presence in the Valley. **Phoenix Memorial Hospital** (7th Avenue and Buckeye Road), purchased by Nashville-based Vanguard Health System 14 months ago, wants to **end emergency and maternity services** at the 67-year-old facility and become a surgical hospital. Vanguard, which must get approval

from the state, wants to send emergency and maternity patients to its sister facility, **Maryvale Hospital Medical Center** (51st Avenue and Campbell Road) or, for less-serious care, to its **Jesse Owens Memorial Medical Center** (325 E. Baseline Road), where it plans to **beef up operations**. On the other hand, **Iasis Healthcare Corp.**, which owns four hospitals and two surgery centers in the Valley, said it will **open a regional headquarters** here and sink \$5 million into its existing facilities. Iasis Healthcare, which was founded in 1998, acquired its Valley hospitals in 1999 when it purchased Tenet Healthcare Group. **No information** was available on how either companies' moves will **affect area employment**.

A 10-year-old **Phoenix-based software company** that employed as many as 250 people in 2000, has **become a casualty** of the **high-tech fallout**. **InfoImage**, which received more than \$40 million in venture capital, made Internet software for its clients that pulled together Web data from various sources onto one computer screen.

Tucson Metro Area

Manufacturing

Although **no new jobs** are expected to be created immediately, a decision by **Bashas' grocery stores to sell Mexican food made by Chonita Foods** will lead to increased production at the Tucson facility. Chonita was purchased by Tucson's El Charro restaurants in 1996 and currently supplies food for El Charro's three restaurants and two outlets at Tucson International Airport. Chandler-based Bashas', which recently has expanded its presence in the Old Pueblo through its purchase of six Southwest Supermarkets in Tucson, will sell Chonita's fare in the deli section of its 130 stores under the names Bashas', Southwest, Food City, and AJ's Fine Foods. **Chonita**, which employs more than 25 workers, expects to **expand shifts** and some **part-time positions into full-time jobs**.

Mining

Already in an industry decimated by layoffs and plant closings, **250 production and maintenance employees** at **Asarco's Ray and Mission mines** near Tucson were **temporarily laid off** in late June. However, Asarco, which is owned by financially strapped Grupo Mexico, **couldn't say when** or whether the **employees would be recalled**. The Mexican conglomerate has been saddled with debt, defaulting on \$450 million in revolving credit last November, plus is having to work out a plan with the U.S. government to clean up contaminated mining sites. With the layoffs, the Ray mine in Hayden (about 60 miles north of Tucson) will employ about 1,100 workers, while the Mission smelting and mining complex in Green Valley will have 360 workers. Prior to these cuts, Asarco had **laid off about 200 workers** at the Mission mine **over the past year**. And state mining employment overall has fallen by 30 percent in the past several years due to closures and layoffs.

Transportation, Communications, and Public Utilities

Only a week after announcing plans to open a maintenance center at Tucson International Airport (TIA) for its fleet of Canadair Regional Jets (see June 29, 2002, *Industry Update*), **SkyWest Airlines** said it will **use TIA as a base for 30 flight crews**. Beginning in November, 90 pilots and attendants will be based in Tucson, adding to the expected 55 maintenance workers the St. George, Utah-based regional carrier plans to hire by September. Because of the addition of Tucson as one of four stations for SkyWest's flight crews — the other stations are in Salt Lake City, Los Angeles, and Dallas/Fort Worth — **Tucson** will now **become an origination site** for SkyWest flights to the cities listed above, instead of a fly-through stop. The nation's largest private regional airline, SkyWest flies to 83 cities with about 1,000 flights a day.

Trade

The **Tucson City Council** approved plans in early July for **two Target stores** — one on East 22nd Street and South Harrison Road and the other at El Con Mall, replacing a closed Montgomery Ward store. The 22nd Street location, which had been rejected by the council in January, drew protests from residents concerned about traffic problems. The 154,000-square-foot store will be part of a shopping center that sits on 27 acres.

Balance of State

Transportation, Communications, and Public Utilities

La Paz County lost out on **potentially several hundred construction** and **25 to 50 permanent jobs** when **Allegheny Energy Inc.** said it had **canceled** plans to build a 1,080-megawatt **generating plant** off of **Interstate 10** near **La Paz's eastern border with Maricopa County**. Maryland-based Allegheny, which has seen its earnings drop sharply due to lower energy prices, is cutting 600 jobs and canceling plans for two power plants (including the one in Arizona).

Services

To take advantage of the area's bilingual population, a Newton, Pa.-based teleservices business plans to **open a call center in Nogales** that **initially will employ 200** people. **ICT Group Inc.**, which employs more than 10,000 worldwide, wants to utilize Nogales-area workers who are fluent in English and Spanish for a bilingual call center, similar to a facility in Miami. ICT also chose Nogales because it's located within Santa Cruz County, which has an unemployment rate above 14 percent and is in one of 22 Arizona enterprise zones. Companies that hire full-time employees and meet certain other criteria (e.g., pay for 50 percent of an employee's health-care benefits) are eligible for tax credits for up to three years.

Government

The devastating **Rodeo-Chediski fire**, which burned more than 425 northeastern Arizona homes in late June, has had a **chilling economic effect** on the **White Mountain Apache Reservation**. Not only was tourism — in the form of casino gambling, hotels, fishing/camping — on the reservation affected by the 463,000-acre blaze, but the tribe's **logging business** was forced to **close**, leading to the **layoff of 75 tribal members**. The White Mountain Apache Reservation, which has 12,000 members, has an unemployment rate of 60 percent, according to the *Navajo Times* newspaper.

The state's soft economy, hurt additionally by the Rodeo-Chediski fire (see above), will **cost at least 37 workers** their jobs at **Northern Arizona University in Flagstaff**. As part of \$6 million in budget cuts for the 2002-'03 fiscal year, the university is **eliminating 85 positions** — some through layoffs and others through attrition. Particularly hard hit was NAU's maintenance department, which had 14 layoffs.

Statewide

Miscellaneous

"Wait until next year" has been the battle cry for World Series-starved Chicago Cubs' fans for more than a half-century. Although not in the same league in terms of slumps, **Arizona tourism businesses heard similar words** from state officials about the ailing hospitality industry at the annual Governor's Conference on Tourism in Scottsdale. An official from the state Office of Tourism told businesses that when **2002** is over it will have been a much **worse** year for tourism than 2001 — rocked by the Sept. 11 events — and that a **recovery in tourism won't occur until 2003**. The main problem has been the drought in business travel and recreational golfers. Let's hope next year's tourism season turns out to have better results than the Cubs' last 50 years of baseball.

INDUSTRY UPDATE

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